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May 26, 2006

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APPLICATION

6490-65744

Honorable James H. Welsh
Commissioner of Conservation
P.O. Box 94275
Baton Rouge, LA 70804-7275

Re: Krumbhaar Zone, Reservoir E
Houma Field
Terrebonne Parish, Louisiana

Dear Commissioner Welsh:

Application is hereby made on behalf of **DENBURY ONSHORE, LLC** for the calling of a public hearing, after thirty (30) days legal notice, to consider evidence relative to the issuance of Orders pertaining to the following matters in the **Krumbhaar Zone, Reservoir E**, in the **Houma Field**, Terrebonne Parish, Louisiana, to-wit:

1. To establish rules and regulations and create a single drilling and production unit for the exploration for and production of gas and condensate, such unit to be designated the KBR RE SUA;
2. To force pool and integrate all separately owned tracts, mineral leases and other property interests within the proposed unit, with each tract sharing in unit production on a surface acreage basis of participation;
3. To designate Denbury Onshore, LLC as the unit operator for the proposed unit;

4. To designate a unit well for the proposed unit;
5. To provide that any future wells drilled to the Krumbhaar Zone, Reservoir E, within or outside of the proposed unit, should be located in accordance with the spacing provisions of Statewide Order No. 29-E;
6. To provide that the Commissioner of Conservation should be authorized to reclassify the Krumbhaar Zone, Reservoir E, by supplemental order without the necessity of a public hearing if the producing characteristics of the reservoir change and evidence to justify such reclassification is submitted to and accepted by the Commissioner of Conservation; and
7. To consider such other matters as may be appropriate and justified by the evidence presented at the hearing.

The Krumbhaar Zone, in the Houma Field, Terrebonne Parish, Louisiana, was previously defined in Office of Conservation Order No. 141-B-3, effective December 8, 1987, and is hereby further defined as being that gas and condensate bearing zone encountered between the depths of 11,986 feet and 12,330 feet, electrical log measurements, (11,832 feet and 12,176 feet, TVD), in the Hydrocarbon Mgmt, Inc. (formerly Wayman Buchanan) – B. Cheramie, Jr., et al No. 1 Well (serial number 201180), located in Section 51, Township 16 South, Range 17 East, Terrebonne Parish, Louisiana.

The pre-application conference tentatively scheduled for 10:30 a.m. on May 31, 2006 **WILL NOT BE HELD**, as it was not requested within the delays provided for by the Rules of Procedure; therefore, no opposition to this Application at the hearing is anticipated.

Pertinent data relating to the proposed application can be obtained, **AT THE COST OF THE REQUESTING PARTY**, by contacting David Comeaux with Leon E. Comeaux & Associates, 305 La Rue France, Lafayette, Louisiana 70508, (337)233-9839.

There is attached hereto and made a part hereof a plat outlining the proposed unit and a list of the names and addresses of the interested parties to whom this unitization proposal is being sent. Pursuant to the Revised Rules of Procedure, such list of parties is being furnished **ONLY** to the Commissioner of Conservation and to the District Manager of the Lafayette District of the Office of Conservation. However, the list of parties will be provided to any party requesting a copy of it. A reasonable effort was made to ascertain the names and addresses of all Interested Owners, Represented Parties and Interested Parties.

Finally, enclosed herein is our check in the amount of \$755.00 made payable to the Office of Conservation in payment of the required hearing application fee.

Very truly yours,


RANDALL C. SONGY

RCS/elg/bad

Enclosures

cc: Mr. Richard Hudson, District Manager
Office of Conservation

All Interested Owners, Interested Parties and
Represented Parties

P.S. To all Interested Owners, Represented Parties and Interested Parties:

You may have received this Application even though your property is not included in the proposed unit, because the Revised Rules of Procedure require us to attempt to also notify everyone owning an interest in the area "proximate to" the proposed units.

Your receipt of this Application does not require you to take any action. It is meant to notify you of these proceedings so that you have the opportunity to participate if you so desire.

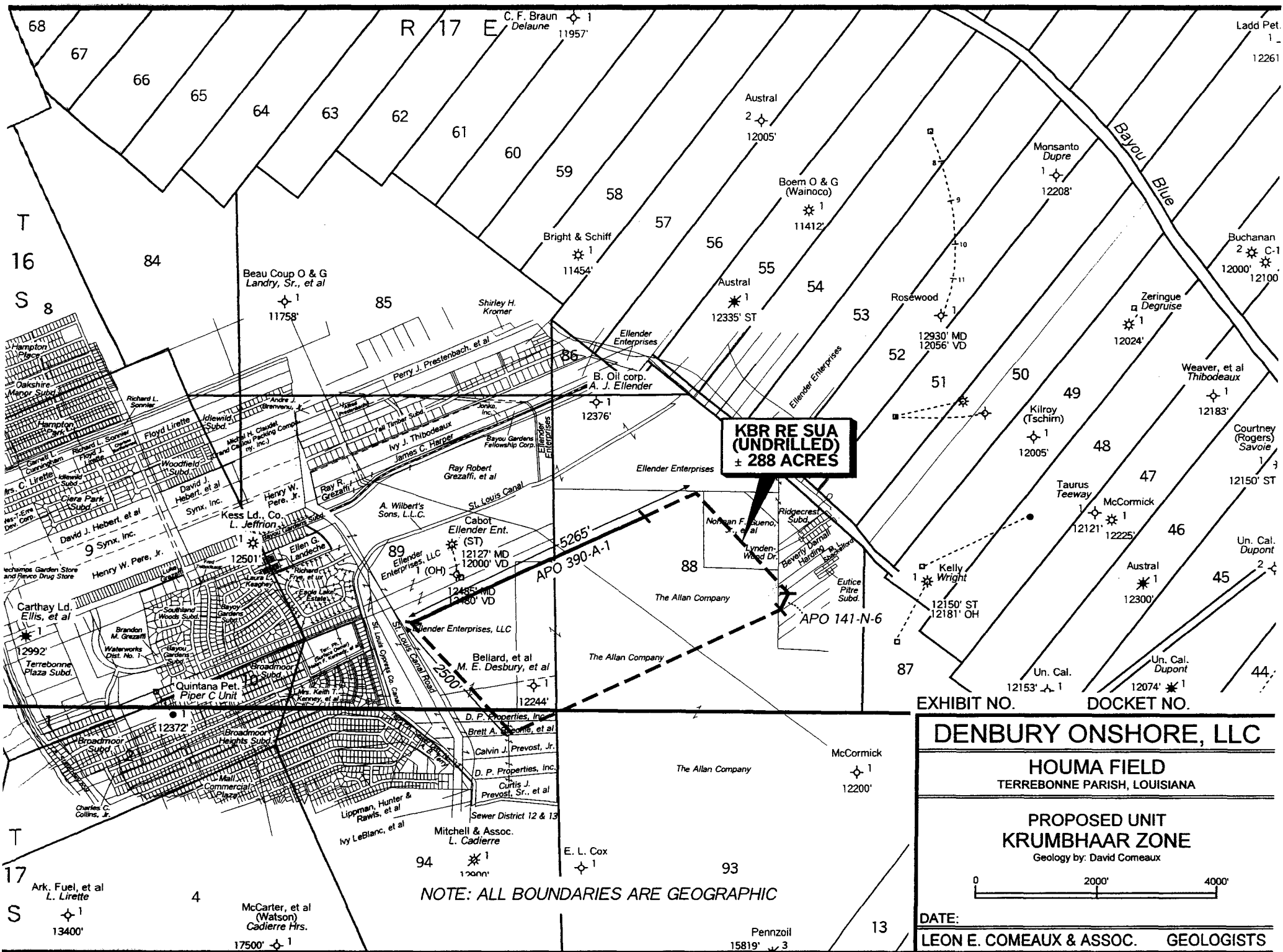


EXHIBIT NO. _____ DOCKET NO. _____

DENBURY ONSHORE, LLC

HOUMA FIELD
TERREBONNE PARISH, LOUISIANA

PROPOSED UNIT
KRUMBHAAR ZONE
Geology by: David Comeaux

DATE: _____

LEON E. COMEAUX & ASSOC. GEOLOGISTS